

# CALIFORNIA POSTSECONDARY EDUCATION COMMISSION

## Recommendations on Higher Education Policies in the Governor's Proposed 2006-07 State Budget

The Governor's proposed 2006-07 State Budget and the Legislative Analyst's Office (LAO) recommendations provide a number of policy options. If enacted, these options will directly impact California postsecondary education. This document summarizes positions adopted by the California Postsecondary Education Commission at its March 28, 2006, meeting on selected higher education budget items. Where appropriate, links to the Commission's website are provided to offer greater detail on its positions.

### Commission Budget Policy Direction

The Commission recognizes that the State of California has entered a new era of funding for higher education. Resident student fees in public higher education have escalated dramatically as the State's share of operations funding has declined. The overall cost of attendance, increased levels of student and family debt, and declines in the actual buying power of grant aid might be putting higher education beyond the reach of many California families. At the same time, gradual decreases in higher education's share of overall state revenues have led to reductions in student services and campus operations in a way that undermines some important segmental functions. The Commission believes the State should renew its commitment to postsecondary education, as articulated in the Master Plan, and move toward restoring the higher level of State General Fund support for colleges and universities that helped build California in the 1960s and 1970s. In doing so, the State should seek to increase funding for segmental activities that directly improve access, success, and the achievement of State policy goals.

| <i>Governor's Budget Proposal</i>  | <i>LAO Position</i>   | <i>Commission Staff Recommended Position</i>  |
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| <b><i>Student Fees and Funding</i></b>   |   |   |
| <b><i>Undergraduate resident student fee levels at UC, CSU, and CCCs.</i></b> The Governor proposes to buy out revenues that would have been generated by the anticipated 8% increase in resident student fees at the California State University and the University of California. The budget includes \$54.4 million for CSU and \$75 million for UC to backfill the forfeited fee revenues. The Governor proposes no changes in the current \$26 per unit CCC enrollment fee. | <p>Recommends the Legislature at least maintain "non-needy" resident undergraduate students' share of the cost of their education at the current-year level. The Analyst calculates non-needy students' current share of these costs at: 25% at the CSU, 33% at UC, and 16% at the community colleges.</p> <p>The Analyst calculates that maintaining these shares would mean fee increases of 3.5% at the UC, 3.0% at the CSU, and 7.0% at the community colleges.</p> | <p>The Commission supports this Governor's budget proposal as part of a more comprehensive, long-term approach to restoring student affordability in the public segments.</p> <p>The Commission is currently examining student fees and affordability policy and it's most recent paper on the issue can be found at:<br/> <a href="http://www.cpec.ca.gov/Agendas/Agenda0603/Tab_02.pdf">http://www.cpec.ca.gov/Agendas/Agenda0603/Tab_02.pdf</a></p> <p>The Commission also notes that the Analyst's definition of "non-needy" students as those not receiving financial aid does not accurately reflect students' and families' ability to pay the ever-increasing cost of college attendance.</p> |

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| <b><i>UC and CSU "marginal cost" funding.</i></b> The Governor proposes a new marginal cost methodology that would increase marginal cost funding. "Marginal Cost" is the additional costs (faculty, assistants, equipment, and services) incurred by the systems for the enrollment of each new student.                            | Recommends the Legislature reject the proposed new marginal cost methodology. Recommends a methodology based on the current one, with specific adjustments, such as budgeting faculty costs at the entry level, rather than at the average salary level. | The Commission understands both the complexity and importance of this issue. We recommend that the working group designated to study this issue examine cost methodologies used in other states and that the work group try to reach agreement, at a minimum, on the actual costs of all potential components of a new marginal cost methodology.  |
| <b><i>Enrollment and Growth Funding</i></b>  |  |  |
| <b><i>Enrollment Growth Funding.</i></b> The Governor proposes to fund budgeted enrollment growth at the CSU and UC at 2.5%. The Governor proposes to fund enrollment growth at the community colleges at 3%.  | Recommends the Legislature fund budgeted enrollment growth of 2% for the CSU and UC and 1.75% in the community colleges.<br><br>LAO calculates these percentages as its expected rates of growth in the budget year.                                     | The Commission supports the Governor's proposed increases in enrollment funding and notes that the levels of increase are consistent with CPEC's long-term projections of public higher education enrollment demand. While year-to-year enrollment changes in any long-term projection can vary, CPEC's 10-year enrollment projections have been the most accurate over time.<br><br>The Commission's most recent public higher education enrollment demand report can be found at:<br><br><a href="http://www.cpec.ca.gov/completereports/2004Reports/04-07.pdf">http://www.cpec.ca.gov/completereports/2004Reports/04-07.pdf</a> |
| <b><i>CCC, CSU, UC Base Funding.</i></b> The Governor proposes 3% increases in base funding for the CSU and UC, not including the fee revenue buyout funding. For the community colleges, it proposes a 5.18% cost-of-living adjustment for general-purpose apportionments and \$21 million for categorical program growth and COLA. | Recommends reducing the level of CSU and UC base funding increases by deleting funds provided to backfill for forfeited student fee revenue.   | The Commission supports the base-budget funding levels proposed in the Governor's budget as essential to provide for student access and timely success.<br><br>The Commission notes that under current budgeting practices, the fee buyout revenues would have been provided, either from the proposed backfill or from fees themselves. Further, these revenues are needed to improve student and institutional performance and student preparation for the world of work after college, areas the Commission supports.   |

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| <p><b>CCC Equalization Funding.</b> The Governor proposes \$130 million as the final installment of a 2004 Budget Act agreement to equalize credit instruction funding levels among colleges. With these funds, the credit instruction funding rate will be set at the 90th percentile for all colleges.</p>  | <p>Recommends to the extent this is a legislative priority, that the Legislature approve this funding but that it adopt a new funding allocation formula that provides the same amount of “per credit FTE” funding for all CCC districts in similar size groupings. The Analyst notes that this approach would help prevent per-student funding gaps that would necessitate future equalization funding.</p>  | <p>The Commission supports the Governor’s proposal for community college equalization funding. Equalization funding is important for lower-wealth community college districts to have sufficient revenues to provide a quality education.</p> <p>The Commission encourages further development of a community colleges funding model that would eliminate the need for targeted funding adjustments in future years, such as that currently being negotiated in SB 361 (Scott).</p>   |
| <b><i>Intersegmental Issues</i></b>   |   |   |
| <p><b><i>Year-Round Operations (YRO) at the CSU and UC.</i></b> The proposed budget contains no new YRO initiatives. YRO is generally interpreted as meaning utilizing the summer academic term at rates similar to other terms during the school year.</p> <p>Since 2000, marginal cost funding has been provided for all additional FTE students at the CSU and UC regardless of term. Since 2001, the state has provided summer-term enrollment funding to selected CSU and UC campuses to fund summer session the same as other terms.</p> <p>These steps have been taken to convert summer-term enrollment from its traditional “self-supported” status (student fees covered all of the costs of operations) to the same “state-supported” status of the other terms.</p> | <p>Recommends the Legislature should encourage the CSU and UC to serve more students during summer session by implementing YRO. The Analyst notes that the State and the systems can take steps to increase summer-term enrollments, such as the State providing supplemental funding to fully convert additional CSU and UC campuses to year-round operations and the systems providing fiscal and course selection incentives to students who enroll in the summer.</p> <p>Further, the Analyst recommends that the Legislature not authorize construction of any new enrollment growth-justified classrooms and teaching laboratories at campuses that have not maximized summer session enrollments to full capacity.</p> | <p>The Commission recommends that the systems continue to implement YRO as they are funded to convert “self-supported” summer terms to “state-supported” summer terms.</p> <p>The Commission also recommends that the practical effects of summer-term attendance on time-to-degree, efficient resource utilization, and other areas should be examined. The concern is that the benefits of YRO and the actual impact of increased summer-term attendance could be overstated.</p> <p>The Commission in 2003–2004 researched the issue of “mandating” YRO in the facilities planning process and found the idea to be impractical on both a state and national basis. This Commission report can be found at.</p> <p><a href="http://www.cpec.ca.gov/completereports/2004Reports/04-13.asp">http://www.cpec.ca.gov/completereports/2004Reports/04-13.asp</a></p> <p>The Commission opposes the Analyst’s recommendation that future facilities construction be tied to full summer utilization. This approach would limit student access at the CSU and UC. Further, such a mandate fails to recognize both the “student choice” aspect of postsecondary attendance and the logistical impediments in forcing students to attend summer session.</p> |

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| <b><i>The California Partnership for Achieving Student Success (Cal-PASS).</i></b> The Governor proposes a \$500,000 increase in this data-sharing system, which is designed to improve the transition of students from high schools to community colleges to universities.              | Recommends that if the Legislature wants to increase community college Proposition 98 funding beyond current levels, the Cal-PASS would be a good investment for any additional funds.  | <p>The Commission supports the Cal-PASS augmentation and encourages its continued work on the local level to help improve campus-level services students need to effectively move from secondary to postsecondary education.</p> <p>The Commission also recommends that the results of research done by Cal-PASS on student transition be shared among other, similar initiatives. "Best practices" should be shared among local collaboratives involved in improving the transition of students between and among education systems.</p>   |
| <b><i>Student Financial Aid</i></b>  |   |   |
| <b><i>Increased Financial Aid Funding.</i></b> The Governor proposes an increase of \$58.1 million in overall student aid funding, \$39.5 million of this to increase Cal Grant funding for anticipated growth in program costs.   | Takes no position regarding the overall level of financial aid funding proposed in the budget but makes recommendations on selected programs and the overall State administration of California student financial aid.  | <p>The Commission supports the Governor's budget proposal to increase Cal Grants and other student financial aid funding to maintain access to higher education in California.</p> <p>The Commission expresses concern over the widening gap between financial aid calculations of families' and students' expected contributions, along with the ability of many middle-class families' ability to pay for the total cost of attendance. The Commission encourages continued examination of the effectiveness of California's financial aid system and the development of improvements in the system that address students with need who do not qualify for grant aid.</p> |
| <b><i>Assumption Program of Loans for Education (APLE) Awards.</i></b> The Budget proposes \$6.8 million for increased costs of this program and authorizes a total of 8,000 APLE awards in 2006-07, 600 of which are dedicated to the Governor's "Science and Math Teacher Initiative." | Recommends that the Legislature retain the existing structure for APLE awards and reject the proposed targeting, stating that sufficient incentives already exist to recruit math and science teachers and noting that the proposed new provisions would unduly complicate the program. | <p>The Commission supports the Governor's "Science and Math Teacher Initiative."</p> <p>The Commission recommends that all current initiatives to increase the supply and quality of K-12 teachers, including subject-specific initiatives, should be coordinated and that they be examined to determine which approaches yield the greatest success.</p>   |

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| <p><b><i>The Maximum Cal Grant Award Amount for New Recipients Attending Non-Public Institutions.</i></b> The Governor proposes \$11.9 million to increase the maximum annual Cal Grant award for new students attending non-public institutions from the current-year level of \$8,322 to a new annual maximum of \$9,708.</p>   | <p>Recommends the Legislature statutorily link Cal Grant award levels for financially needy students attending non-public institutions to an enrollment weighted calculation of the average State General Fund appropriation for students attending the CSU and UC. Under the Analyst's proposal, the maximum Cal Grant award for new students attending non-public institutions in 2006-07 would rise to \$11,011.</p> | <p>The Commission recommends that the State return to its prior statutory policy that links Cal Grant award levels for financially needy students attending non-public institutions to average marginal cost funding at the CSU and UC.</p> <p>For the 2006-07 budget year, this would result in an increase of \$11.1 million above proposed funding levels and results in a maximum Cal Grant award level for students attending non-public institutions of \$11,011.</p>  |
| <b><i>Higher Education Workforce Initiatives</i></b>  |   |  |
| <p><b><i>Community College Career Technical Education (CTE).</i></b> The budget proposes \$50 million to expand last year's K-12/CCC career technical education initiative. This funding would increase the utility of "2+2" technical preparation courses in the colleges by articulating career technical education coursework involving high schools and community colleges.</p> | <p>Recommends that the Legislature not expand the CTE program until the community colleges have evaluated the initial (2005-06) phase of this program. The Analyst also opposes this augmentation because the program does not contain an expenditure plan for the proposed new funds.</p>  | <p>The Commission supports this proposal. CTE helps develop connections (articulation) between high school and community college coursework in selected career fields. Students successfully completing these programs can attain a two-year degree or certificate. Such a path to community college certification can be beneficial to the student and the state, in terms of time to completion and overall cost. This initiative's goal also relates to goals in the Commission's Education/Workforce Nexus initiative.</p> <p>The Commission also recommends that CDE and the community colleges report on the progress of the initial CTE initiative regarding lessons learned from this expansion. The Commission also encourages CDE and the community colleges to consult broadly as they develop a longer-term vision and an expenditure plan for the CTE initiative.</p> |

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| <p><b><i>CSU and UC Science and Math Teacher Initiative.</i></b> The budget provides a total of \$1.5 million to the CSU and UC to extend this program to all CSU and UC campuses involved in this initiative.</p> | <p>Makes no specific recommendation on this program but recommends against the Legislature's targeting of some of APLE awards to math and science teachers, as is proposed in the Science and Math Teacher Initiative.</p> | <p>The Commission supports the Governor's initiative in recognition of the severe needs in many California elementary and secondary schools for highly-qualified mathematics and science instructors. Along with helping meet federal "No Child Left Behind" requirements, improved math and science instruction leads to better academic performance and increases a student's likelihood of postsecondary education success. The Commission, through its "Improving Teacher Quality" program, is seeking research proposals to help improve K-12 math and science instruction.</p> <p><a href="http://www.cpec.ca.gov/FederalPrograms/RI-RFP_02_08_2006.pdf">http://www.cpec.ca.gov/FederalPrograms/RI-RFP_02_08_2006.pdf</a></p> <p>The Commission recommends that all current initiatives to increase the supply and quality of K-12 teachers, including subject-specific initiatives, should be coordinated and that they be examined to determine which approaches yield the greatest success.</p> |
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| <p><b>CSU and UC Entry-Level Master's Nursing (ELM) Programs.</b> The budget expands the entry-level master's nursing programs, authorized in SB 73, by providing \$1.7 million each to the CSU and to UC. These funds are in addition to monies provided earlier for one-time expenditures for instructional equipment, classroom and laboratory renovations, curriculum development, and faculty recruitment.</p>     | <p>Takes no position on the ELM initiative.</p> <p>The Analyst has previously noted that SB 73 (Chapter 592, Statutes of 2005) sets goals for expanding enrollment opportunities in entry-level master's degree nursing programs. For the upcoming fiscal year, this goal is to create 260 new slots.</p> | <p>The Commission supports the ELM initiative's goal of addressing our State's nursing shortage. Upon completion, these candidates may pursue positions as nursing instructors. The Commission encourages the continued study of approaches to remedy the State's nursing shortfall and to improve the retention of nurses in the profession.</p> <p>In its 2003 report on community college nursing programs, the Commission documented the State's critical shortage of registered nurses and approaches for improving retention of community college nursing students. This report can be found at:</p> <p><a href="http://www.cpec.ca.gov/completereports/2003reports/03-02.pdf">http://www.cpec.ca.gov/completereports/2003reports/03-02.pdf</a></p>   |
| <p><b>Student Access</b></p>  |   |   |
| <p><b>CSU and UC Academic Preparation Programs.</b> The budget eliminates State funding for these programs. This results in reductions of \$7 million from the CSU and \$17 million from UC for these programs.</p> <p>In the 2005-06 Budget, the Legislature had augmented the CSU and UC budgets by these same amounts to restore funding for academic preparation programs not initially included in the budget.</p> | <p>Withholds its recommendation on the proposed General Fund reduction to the CSU and UC academic preparation programs, pending review of an evaluation of the programs that is to be submitted in April 2006.</p>  | <p>The Commission recommends that State funding be restored to these programs. The Commission supports academic preparation programs that have proven their effectiveness for improving middle school and high school student enrollment and success in postsecondary education. These programs focus on increasing college participation rates for groups and regions in our State that have been historically underrepresented in the state's colleges and universities.</p> <p>The Commission recognizes the difficulty in developing accurate methods of assessing the performance of these programs and encourages continued efforts to do so. The overriding concern, however, must be with those underrepresented secondary school students for whom these programs are a critical component of their preparation for college.</p> <p>The Commission also recommends that future funding for academic preparation programs be tied to clearly articulated outcomes and measurements of progress towards those goals. Such is the approach taken in the "accountability framework" for these programs being developed by the systems.</p> |